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Zurich

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MORAL AND ECONOMIC ASPECTS

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OF THE EUROPEAN CONFLICTS

1923

MORAL
AND ECONOMIC ASPECTS
OF THE
EUROPEAN CONFLICTS.

BY

WALTER B. CROLL.

1923

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TABLE OF CONTENTS.

page

FOREWORD: The European Tangle 3

I.— MORAL ASPECTS 5

(1) War-guilt and Duty to Rebuild.
(2) Bad Debtor-Morals.
(3) Forcible Measures of the Creditors.
(4) The European Psychosis.
(5) Pawns and Punishments.

II.—THE COMPLAINTS OF THE TWO PARTIES .. 9

(a) The Complaints of the French and Belgians .. 9

(1) Does Germany Lack Goodwill?
(2) The Reconstruction of Devastated Territories.
(3) The Charge of Suicide.
(4) Gigantic Business Profits; the Depreciation of Currency.
(5) A War of Revenge?

(b) The Complaints of the Germans 14

(1) Drastic New Interpretations of the Versailles Treaty.
(2) Economic Pretexts for Political Purposes.
(3) Hostile Interpretation of the Treaty; Harsh Tactics of the Creditors.
(4) Who Is Threatened?
(5) Hampered World-Prosperity; Pioneers of World-Reconciliation.

III.— ECONOMIC ASPECTS 20

(1) European Phantasies.
(2) Coal and Iron on the Rhine.
(3) The Silesian-Polish Resources.
(4) Economic Imperialism; the European-Asiatic Trust.
(5) Is Europe a Business? The Interests of the Stronger Nations.

April 8, 1931 DA/HEC

FOREWORD.

THE EUROPEAN TANGLE.

AMERICA decided the outcome of the World War. America has the power to decide the outcome of the peace. The peace of the world is being disturbed by the European conflicts. Since European interests extend over the whole world and even today still possess decisive influence in many non-European lands, no businessman or politician can leave them out of his reckoning. The countries of Europe are divided into two camps: the one is composed of the victorious Powers and the new countries that were erected out of the territory of the conquered lands; the other camp consists of the former "Central Powers", carved apart by the various treaties of peace—Germany, Austria, Hungary, Bulgaria and Turkey. The power of resistance shown during the war, particularly by Germany, and which was not broken until America stepped in, has created in the camp of the Allies exaggerated ideas as to the amount of reparations that can be paid by the defeated party. The nervousness that seized upon the peoples of the Allied lands when they saw themselves deceived in their expectations created an opportunity for those politicians who wanted to solve the problem by a continued use of

war methods. Is it, then, right that America can participate with the Old World in the political and economic domination of the world if it permits affairs in Europe to persist in the course which they have taken?

This question must be dealt with from two viewpoints — the moral and the economic. The two viewpoints must be kept carefully separate from each other, for a confusion of the one with the other would make a clear verdict impossible. In questions of humanity and morals there are common standards recognized by all upright peoples and all honest men; business questions are decided by matters of interest, which are naturally different in the case of all peoples and men.

MORAL AND ECONOMIC ASPECTS.

I. — MORAL ASPECTS.

(1) War-guilt and Duty to Rebuild.

Not for years or even decades, until all the nations participating in the World War shall have opened their archives, will it be possible to know definitely how much of the blame for the outbreak of the great war was due to the incapacity and the criminal purpose of individual rulers and how much was due to great, unbridgeable differences between the peoples. But it is possible today to brand as an error the assertions that a whole people—and that people alone—is solely responsible for the World War, and that this people as a whole must suffer for the fact that so much misery was caused to all humanity. Moreover, all sentiments of humanity revolt at the thought that children yet unborn shall suffer for damages caused during the lives of their fathers. Hence the basic question as to whether a single people, "for reasons of justice and equity," must bear the whole burden of rebuilding what the war ruined, must be answered in the negative. Although the participants in the World War have exerted themselves to the utmost to picture themselves as innocent and the other side as the alone guilty party, there have been honest and practical men in all countries who contended for their conviction that the destruction of the war could be repaired only by the co-operation of all nations. That Germany, in the exchange of notes with Secretary of State Robert Lansing in October and November, 1918, assumed the duty of rebuilding the ruins of France and Belgium, is another matter. By virtue of this promise, France and Belgium secured *a legal claim against Germany.*

(2) Bad Debtor-Morals.

The creditor-states must be separated into two groups: (1) the patient and reasonable, and, (2) the impatient and unreasonable. The United States of America and England belong in the first group; in the second group belong those powers that employ the methods of war to enforce their financial claims. America and England reached an agreement within a few months as to the payment and interest-base of the sum which England owed. From

the other States that borrowed great sums from America and England there have come thus far only complaints, requests for extension of time, and oaths of bankruptcy, but not one cent or one penny has yet been handed over to the creditors. If America and England had been as impatient as France and Belgium, the great war would have flamed up again long ago. And is the failure of the countries named to fulfil their financial obligations to America and England to be more gently judged than the failure of Germany to deliver every ton of coal and wood charged against her? France increased her expenditures for army and navy from 1,800,000,000 francs in 1913-14 to 5,240,000,000 francs in 1922-23, despite the fact that Germany, according to the declarations of all objective observers, has been completely disarmed. This increase of 3,440,000,000 francs would have been sufficient to pay all interest on France's debt to America and England, and also to pay off a considerable part of the principal. One of the most important principles in the liquidation of the great war was for every civilized people the thought that in the adjusting of liabilities, the victors and the vanquished were to be measured by the same standards, and that warlike methods were not to be employed in solving political and economic problems. This principle has been disregarded in Europe; it could be disregarded because the party of the creditors was armed to the teeth, while the debtor was defenseless. Numerous French businessmen complain of this development. A significant remark is that of a prominent French economic leader: "Germany got rid of militarism; we have it."

(3) Forcible Measures of the Creditors.

The hope of humanity that brutality and greed for power had been dethroned for all time, and that justice and reason were to reign, has been shaken by the events of the last years. ***There must be no economic or financial interest which is dependent on the use of armed might!*** Otherwise every peaceful nation—and be it ever so strong—is in danger of being fallen upon and robbed by an unscrupulous Power in a moment of isolation or weakness. This thought reaches out over all the earth, across dividing seas, and compels all the nations of the world, and especially the great and powerful, to take the arena against the destroyers of human morals. The sooner this intervention on behalf of violated right and against misused power comes, the more quickly and painlessly will it become possible to create the true atmosphere of peace in which great and small nations can live together. Who would not begin fighting a fire until the flames were reaching the heavens? Is it not much better and more sensible to extinguish the glowing embers before they have grown into a conflagration? These are the thoughts that move the noblest and best men in all countries and make them look to the future with hopeful longing. This is also the reason why, in the countries that are not directly involved

in the continental conflicts, anxiety is beginning to be felt as to whether sentiments and conditions are not arising in the Old World that will fill the whole world with continuous unrest.

(4) The European Psychosis.

The present European conflicts are at bottom due to a psychosis of the peoples of the European continent. It seems as if they were unable to understand each other. The Russians have delivered themselves up to a regime of desperation, which seeks to bring about precisely the opposite of everything that used to be. The inevitable consequence has been that commerce and traffic, and with them the prosperity of a people of a hundred millions, have been destroyed. The next two greatest nations of Europe—France and Germany—are involved in a bitter struggle with each other. One of these countries feels itself menaced in its claims, the other in its economic and political conditions of existence. Austria and Hungary are impoverished and isolated. All the newly created second or third-rate States are carrying out a policy dictated solely by egoistic interests, without taking into consideration at all the fact that thereby the differences in Continental Europe are being perpetuated. It would seem that the psychosis of Europe can be cured only by nations which either never lost their sober, political sense, or, after 4½ years of peace, have recovered it. It has long been clear to these sober, practical nations that the attainment of justice and the attainment of reason are not two irreconcilable things, but rather parts of one and the same policy. But it is not easy for the countries not directly affected to picture adequately to themselves the situation and the feelings of the nations participating in the European conflicts.

(5) Pawns and Punishments. Demands and Offers.

Let us as a preliminary consider a number of facts which show, better than anything else, to what extent the European conflicts are dissipating economic resources, delaying and hampering the work of reconstructing the ruins of the war and of doing away with the other consequences of that conflict, and which threaten finally to make all efforts along these lines impossible. When, in the spring of 1919, the "Council of Four"—Mr. Wilson for America, Mr. Lloyd George for England, Mr. Clemenceau for France and Mr. Orlando for Italy—was discussing the conditions of peace, Germany offered to pay 100 billion gold marks (about 25 billion dollars). At that time the continental European creditor-states were demanding three to four times this sum. At the beginning of March, 1921, at the London reparations conference the Germans offered to pay 50 billion gold marks. The European creditors regarded this as too little, and in the London program of May 5, 1921, they demanded 132 billion marks. Under threats that if this sum were not accepted further German territory would be occupied, Germany accepted the demand, and promised to pay this sum "so far as possible." As early as seven months later it

became evident that this sum could not possibly be paid. Germany's ability to pay and the problems connected with this question were discussed for a full year in numberless interallied and international conferences, of which the most important were that at Cannes in January, 1922, and that at Genoa in April and May, 1922. At the end of 1922 Germany drew up a new plan of payment, in which it was declared that 30 billion gold marks was the utmost sum that she could pay and honestly promise to pay. This plan was submitted to the Paris reparations conference of January 2nd, but was not even discussed by that conference, since it was regarded as utterly inadequate. What, then, is the reason that every new German offer has been smaller than the one before? Simply this: that Germany in these interims has become steadily more exhausted and less able to pay through cessions of territory, costs of occupation, confiscations, the flight of capital and other causes. On January 11, 1923, Germany was punished for her "unwillingness to pay" through the occupation of her richest industrial and coal territory, the Ruhr. Since then a Franco-Belgian army of some 100,000 men has been endeavouring to make of the Ruhr district a "pawn" and to secure goods and money from it against the will of the inhabitants. In order to understand this attempt thoroughly one must imagine foreign troops occupying the American industrial and coal territory north of Washington and east of Pittsburgh, or the English industrial centers Sheffield and Birmingham, and endeavouring to exploit them. Despite the heavy losses that were caused and are still being caused to Germany and her economic life by the occupation of these most important industrial and mining centers, the national Government on May 2, 1923, again made an offer to pay the same amount offered before the occupation—30 billion marks. Germany's chief creditor, France, hastened to reject this offer in the most peremptory manner, and paid no attention whatever to Germany's offer to submit the question of her ability to pay to a commission of international financial and economic experts. Curiously enough England and Italy, in their answers of May 13, 1923, to the German offer, also made no reference to the fact that Germany had suffered heavy losses in the last months as a result of the Franco-Belgian war measures and is hence less able to pay. Neither do the answers of these two nations pay any consideration to the just and sensible idea of having a court of arbitration, composed of nonpartisan men from all countries, investigate the financial and economic situation and, in particular, Germany's ability to pay. One has the impression that Germany's creditors would be satisfied today with the half of what Germany offered them four years ago—a sum which would be more than adequate to remove the visible evidences of the World War. One sees that the German

Collecting by Force.

offers have regularly been accepted by the creditors a year later, that is to say, at a time when, because of losses and depreciations, they could no longer be carried out. Is this not a striking proof that Europe is destroying herself in the discussion of the reparations question, and that she cannot achieve peace, order, reconstruction and economic prosperity without the assistance of nations that are not directly involved? But wherever it is apparent that people cannot reach reconciliation and peace by their own unaided efforts, other people—for purely moral and humane reasons—must intervene as advocates of right and reason, if for nothing more than to save the innocent women and children. Out of the present situation in Europe there is growing up a fearful and destructive hatred, which, while it may not reach its full poisonous flowering for years, will hen deprive humanity of millions of valuable lives.

II.—THE COMPLAINTS OF THE TWO PARTIES.

All these considerations impose upon the nonpartisan observer both in Europe and elsewhere the duty of investigating more closely the charges which the two hostile parties in Europe make against each other.

What, then, do France and Belgium charge against Germany?

(a) The Complaints of France and Belgium.

The two neighbors and chief creditors of Germany make the following charges against their debtor:—

(1) It has no serious intention to pay.

(2) It has in particular not done enough toward the reconstruction of the devastated districts.

(3) It has deliberately debased its currency in order to escape from its obligations.

(4) It has permitted private citizens to make immoderate profits so that it could represent the State as poor.

(5) It possesses in its strong chemical, metallurgical and airplane industry the possibilities of waging a war of revenge.

Concerning these charges the following is to be said:—

(1) Does Germany Lack Goodwill?

As to point 1:—The proof of the first thesis, namely that ***Germany has no intention of paying***, is found in the alleged fact that Germany has made "inadequate offers" and "has paid almost nothing at all." The most important figures regarding the offers

of the debtor and the demands of the creditors have been given on pages 7 and 8. The official calculations of the Reparations Commission for the period from November 11, 1918, to May, 1921, give roundly 7⅔ billion gold marks as the total amount paid by Germany. The German White Book of May, 1922, on the contrary, reckons the total German payments and deliveries of material at 45⅗ billions. The chief reasons for the divergence between the figures of the creditors and of the debtor are that the creditors did not regard certain items as "deliveries," and also set a much smaller value on others than did the debtor. In pure reparations deliveries Germany handed over, in money and in kind, in the years from 1918 to 1922, the following:—

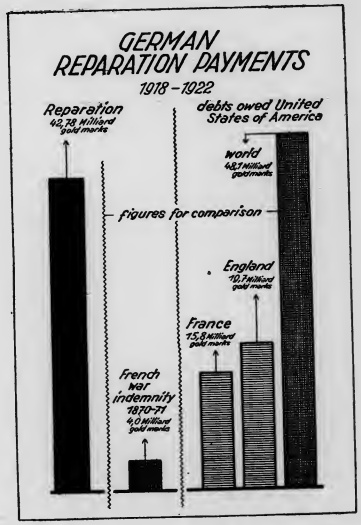
(a) Public property abroad and in Germany ..	5,508	million marks
(b) Coalmines in the Saar Basin	1,018	„ „
(c) German private property abroad	12,211	„ „
(d) Non-military stores abandoned in the evacuated districts on the west front ..	1,897	„ „
(e) Traffic facilities: railways, merchant ships and internal waterway vessels	8,274	„ „
(f) Cancellations of sums owed to Germany by her former allies	8,600	„ „
(g) Deliveries of coal and coke	2,424	„ „
(h) Other deliveries of material	618	„ „
(i) Cash payments	2,230	„ „
Total	42,780	million marks

The significance of these deliveries is shown by the table on page 11.

(2) The Reconstruction of the Devastated Territories.

As to point 2:—When the European creditors of Germany declare in the face of these figures that Germany "has paid virtually nothing," one must rather assert that France and Belgium have not received from these deliveries the benefit which they could and really must have received if they had employed the money and materials properly. As a matter of fact, any foreigner who visits the French and Belgian fronts can convince himself that the work of reconstruction is very far from being finished. Many sufferers in the devastated districts believe, however, that the 115 billion francs "advanced" by France and Belgium for reconstruction have not been properly employed. As has been established by the official Czecho-Slovak newspaper "Ceskoslovenska Republika" of Prague, number of April 20, 1923, of the German offers of building material, &c., amounting altogether to 950 million gold marks, France employed inconceivably hardly 300 millions in the year 1922. Other States, for example, England, Jugoslavia and Roumania, acted "more wisely." Even in French circles the explanation for this holding back of the French Government is seen in the fact that the French building contractors wish for business

reasons to string out the work through a number of years and are unwilling to tolerate any direct German co-operation in the devastated districts, and this even at the risk that the unfortunate occupants of the war-zone may be compelled to live for some years



yet in wretched provisional dwellings. My pamphlet, "Stones That Speak," (Zurich, 1922) contains fuller details regarding this.

(3) The Charge of Suicide.

As to point 3:—The charge that Germany has ***deliberately ruined her own currency*** in order to escape from fulfilling her promises to pay has been rejected as incorrect by the international financial and economic authorities who studied the situation in Germany at the beginning of November, 1922. As a matter of fact, the ruin

of the currency has such fearful consequences for a people that it would be directly equivalent to national suicide if any Government should systematically depreciate its own money. In Germany, which had accomplished such important achievements in matters of scientific finance, the leaders of the State were astonishingly unsuccessful in matters of *practical finance.* Nevertheless, the national Government, supported by the Reichsbank, succeeded in the months of February and March, 1923, in bettering the value of the mark 60 per cent. The relapse that came later is due to the fact that the losses as a result of the Franco-Belgian attempts at exploitation in the Ruhr rose enormously, and that the international and the German business world have begun to doubt whether Germany can be rescued from political mutilation, economic destruction and unforseeable internal confusion. Wide circles of German business and industry—bankers, industrialists, merchants—live in a condition of unbroken panic, and the same can be said of labourers, office employees and officials. The prospect of making huge profits through speculating on the rate of exchange with paper credits has brought numberless speculators from all countries to Germany, where, together with certain conscienceless war and post-war profiteers—so-called "exchange hyenas"—they are trying to enrich themselves more on the further ruin of Germany's currency. Since the Peace of Versailles prevents the German Government from taking any special measures against these foreigners, the Government finds itself powerless to prevent this fateful speculation. The ruin of the German currency is a cause of the deepest solicitude and anxiety for the German Government; ***it is not the aim of its systematic endeavours.***

(d) Gigantic Business Profits.

As to point 4:—Especial emphasis is laid on the charge that ***the German Reich is permitting private individuals to make vast profits at the expense of the State,*** to the end that it may then be able to take an oath in bankruptcy when asked to pay reparations. As a proof of this charge "the great profits" of German industrial and banking concerns are adduced. It is a fact that dividends of 100, 200 per cent or even more have been declared for 1922 by numerous companies. These figures are pointed to as testimony to the "prosperity of German business," and by way of contrast, the wretched condition of Germany's public finances is pictured. Does it not, indeed, appear monstrous that Germany has a deficit of 7,100 billion paper marks for the fiscal year of 1922-23, while certain industrial and commercial concerns can pay out in dividends the full amount of their capital and in many cases many times their capital as profits? And is there not a double mistake here—that the German Government does not understand how to get hold of these great profits at the right time and in full measure, and that the German undertakings, which complain of lack of capital and

declare that they cannot pay any important sums as reparations, nevertheless pay out their own means for dividends that do not have to be paid? This was the view held, among others, by the French Premier Poincaré, when he spoke in the session of the French Chamber of November 17, 1922, of the "scandalous manner in which the German heavy industry is flourishing." This view, moreover, is held not only by the reparations powers, but also by numerous representatives of public and business life in other countries. It is furthermore widespread in those circles of the German labouring population that incline to Communism and Bolshevism. The mistake—for a mistake it is—can be explained by the fact that the paper-mark dividends are declared on a ground capital which is for the greatest part a gold capital. Even if we assume that the ground capital of the big companies has been watered to the tenth part of its original amount—and this is much too generous an estimate—the paper-mark dividends have an altogether different look than appears at first. At the time when the profits for 1922 were paid out (May 1923), the paper mark had sunk to the one-eight thousandth of its former gold value. The German paper mark was listed in New York at .003 cents—and it used to be 25 cents! Having regard to the watering of the producing capital to a tenth of its value, one must, in order to get an adequate picture, divide the declared dividends by 800. This means, then, in the case of a dividend of 200 per cent, that the profits amount only to one-fourth of one per cent on the capital invested! A German investor who possessed before the war stocks with a nominal value of 50,000 marks and received a yearly dividend of 6 per cent a year could live tolerably well from his investments, which brought him 3,000 marks, equivalent to $750. The same investor, who has since been able to increase his holdings to 500,000 marks nominal value, receives, if he gets a dividend of 200 per cent, one million marks, or $30 a year. He cannot live from it. Absolutely calamitous is the situation in Germany today of the holders of securities paying a stated interest; such securities have today the same nominal value and pay the same rate of interest as before the war. At 4 per cent interest, 50,000 marks of capital paid then 2,000 marks, or $500 a year. Today the same securities pay 2,000 paper marks, equivalent to 6¼ cents a year! Since the beginning of May the value of the paper mark has steadily depreciated further. But even if one were of the opinion that dividends ought to be held down because of the bad impression which high figures make, one must realize that the industrial undertakings are compelled not only to pay out steadily higher nominal dividends, but also that they must seek to pay higher dividends than their competitors, since they could otherwise not attract any new capital for the maintenance and

The Depreciation of Currency.

rebuilding of plants that suffered so much during the war. That fact that the German stock exchange quote the shares of German concerns at an average of 6% of their nominal value in gold is the most striking evidence of the low rate of return realized on investments in German securities. The allegation about "the vast profits of German business" is a fable, and is seen to be such by every businessman as soon as he learns the attendant circumstances.

(5) A War of Revenge?

As to point 5:—There remains only the charge that Germany—especially in her chemical, metallurgical and airplane industry—possesses the ***possibilities of making a war of revenge soon.*** It is a fact that the industries named formerly supplied all war materials required by Germany. It can also not be denied that these industries—if they took a long time to do it—could be retransformed into fabricators of war material. But this is prevented by the Interallied Control Commission provided for in the Peace of Versailles. This commission inspects all these manufacturing plants at regular intervals and would immediately discover and hinder any effort at improper activities.

(b) The Complaints of the Germans.

Germany likewise makes charges against France and Belgium; these charges, too, are five in number.

(1) France and Belgium are endeavouring to enlarge the Versailles Treaty *post facto.*

(2) Both countries are using their reparations claims for political purposes.

(3) They are interpreting certain provisions of the Versailles Treaty in a manner violative of the contract.

(4) They assert that they are constantly menaced in order to conceal the fact that they constantly menace Germany.

(5) They are the obstacle that prevents the world from finally recuperating from the results of the war.

Let us give to these complaints the same objective consideration which we have given to the five complaints of France and Belgium against Germany.

(1) Drastic New Interpretations of the Versailles Treaty.

As to point 1:—In the year 1917 France and Tsaristic Russia concluded a ***secret treaty*** under which the German Saar Basin, with its coal and industries, and a great part of the territory on the left bank of the Rhine *were to be annexed by France,* while the rest of the Rhineland was to become an independent State. This program was advanced and advocated by the representatives

of France at the Peace Conference in the spring of 1919, but it could not be carried into effect because of the opposition of President Wilson and the British Premier, Lloyd George. (Read in this connection the memoirs of President Wilson, which but recently appeared). The same plan was taken up again after America, disgusted at the quarrels of Continental Europe, had withdrawn from the interallied conferences. This withdrawal of America—understandable though it was—strengthened the influence of those Powers that were fighting against a peaceful and reasonable solution of the great problems presented. At the beginning of 1922 the chairman of the politico-financial committee of the French Chamber of Deputies, M. Adrien Dariac, made an official trip through the Rhineland. On May 28, 1922, he presented a secret report concerning this trip. In this report he wrote:

"Above all things there must be no talk whatever of the possibility that we might surrender our pledges (the Rhineland and some important cities of the Ruhr)."

According to the Peace of Versailles, the last sector of the occupied Rhineland shall be evacuated within fifteen years at the most. In order to postpone this evacuation as far as possible, France and Belgium have taken the standpoint that this fifteen-year period has not yet begun to run. Yet in the Peace of Versailles it is stipulated expressly: "The German territory . . . . will be occupied . . . . for a period of fifteen years *from the coming into force* of the present treaty."

(2) Economic Pretexts for Political Purposes.

As to point 2:—The further charge which Germany makes against France and Belgium is ***that the reparations claims are being employed merely as a political weapon.*** This conception, which, moreover, many French politicians reject, has been strengthened by remarks made, according to the French newspaper "Populaire" of July 26, 1922, by Poincaré to several prominent French journalists. Poincaré said:

"For my part, I should regret it if Germany should pay . . . . For my part I prefer occupation and conquest to the receiving of money and reparations. The only way of rescuing the Versailles Treaty is so to arrange matters that our opponents, the vanquished, cannot fulfil the treaty."

When such expressions can be employed by the leading French statesman, one cannot wonder if the Germans are convinced that, no matter how great financial and economic endeavours they make, they cannot free themselves from the burden of the reparations. The hopelessness of attaining any set aim is the greatest handicap that can be placed on any man or any nation. This heavy and

justified anxiety of Germany can be dissipated only if her creditors and all other nations interested in the peace of the world make it their first object to fix definitely the sum which Germany can pay without being ruined. The proposal made by the American Secretary of State Hughes in his speech at New Haven on December 29, 1922, that the amount of the German reparations payment be established by a commission of nonpartisan experts, is a sensible suggestion not merely because it would make possible a *just* decision, but also because of the further fact that the verdict of the international experts would at the same time be the verdict of the international financiers who would advance the money for paying these reparations and who, therefore, could arrive at the only *practical* decision. Only if France and Belgium accept this American proposal, which has been accepted by all other Powers entitled to reparations, can Germany be convinced that the reparations demands of her creditors are intended to be fulfilled, and not to be used as a means of exercising political pressure.

(3) Hostile Interpretation of the Treaty.

As to point 3:—Another standing complaint of Germany is the obvious fact that France and Belgium *are deliberately giving a false interpretation to the Versailles Treaty.* The significance of this is sufficiently shown by the fact that the present conflict as to the legality or illegality of the occupation of further portions of German territory in January, 1923, by France and Belgium is a matter of the interpretation of that treaty. There is no one in the neutral countries or in America—which was not willing to sign the Versailles Treaty—who would regard the conditions imposed on Germany as too mild. The German people, moreover, laid aside their very grave doubts about signing the Treaty only because they regarded America as a fair contracting party and believed she would always use her influence to bring about a just and reasonable execution of the treaty's provisions. It was America's failure to become a signatory to the Versailles Treaty that made this treaty the instrument of martyrdom for Germany which it turned out to be. When, then, differences of opinion arise even among those who are interested in a drastic interpretation, it can be assumed with a fair degree of certainty that this drastic interpretation is not justified. The question here has to do with the provisions of section VIII of the Peace of Versailles, which deal with the reparations. Paragraphs 17 and 18 of appendix II to this section specify the measures to be employed if Germany does not completely fulfil her reparation obligations. In 1922, as the result of a series of unfavourable circumstances and also as a result of tricky dealing by the French and Belgians, Germany fell 11 per cent in arrears in her deliveries of coal. The chief reason why she was unable to make full deliveries of wood was the fact that the notification of the Allied Commission came a full

three months too late. The total value of the deficit in deliveries amounted to only 24 million gold marks. A conciliatory, peace-loving creditor would simply have demanded that these deficits be made up later, but France and Belgium decided to impose a punishment on Germany. In carrying out this purpose they based their action on the two paragraphs of the peace treaty referred to above. These read:—

Harsh Tactics of the Creditors.

Par. 17. "In case of default of Germany in the performance of any obligation under this part of the present treaty, the commission (reparation commission) will forthwith give notice of such default to each of the interested Powers and may make such recommendations as to the action to be taken in consequence of such default as it may think necessary."

Par. 18. "The measures which the Allied and Associated Powers shall have the right to take, in case of *voluntary default* by Germany, and which Germany agrees not to regard as acts of war, may include economic and financial prohibitions and reprisals and *in general such other measures* as the *respective* Governments may determine to be necessary in the circumstances."

France and Belgium have assumed the standpoint that Germany's failure to deliver the full quota of coal and wood was "voluntary". They have asserted that the "other measures" which may be taken under paragraph 18 include new military occupations, and that the words "respective Governments" authorize individual Powers entitled to reparations to proceed separately. German public opinion asserts the contrary: the deficit in deliveries for 1922 was not voluntary, otherwise it would have been more than 11 per cent; further, under the words "other measures" only further *economic and financial measures* can be understood, since all *military* occupations are dealt with together in section XIV of the Peace Treaty; and, finally, under "respective Governments" one can understand only all the Allied and Associated Governments interested in reparations together. From the viewpoint of a non-participant it cannot but appear that a treaty does not deserve to be called a "peace" treaty if, even in some secondary provision, it permits one party to carry out, because of trifling things, new occupations or to take other measures which have an openly warlike character. It would be simply incomprehensible if the provisions cited could be interpreted as giving to one nation an absolutely free hand to employ every manner of force against another nation,

and thus at the same time to damage the rights of other nations that are dependant on the vital force and productiveness of the nation outraged.

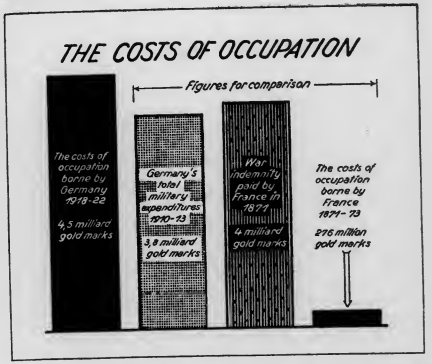
(4) Who is Threatened?

As to point 4:—In Germany, where, since the horrors of the World War, everybody is firmly resolved to live at peace with one's neighbour, nobody can understand why the opinion still prevails throughout the world that France and Belgium are menaced by Germany both ***politically and militarily.*** The present peace strength of the Franco-Belgian army amounts to 948,000, that of Germany to 100,000 men. Germany has no big guns, no tanks, no airplanes, no submarines and only scanty remnants of a navy; she is not permitted to train any reserves, to work out any plans for mobilization or to assemble warstores of any kind. France and Belgium enjoy complete liberty as to all these things, and they take full advantage of it. And as if all this were not enough, Germany has demilitarized her entire western front for a zone extending 30 miles eastward from the Rhine. She has there no forts, no garrisons, no warstores. As against this, 200,000 French and Belgian soldiers, with full modern equipment, are stationed along the Rhine. Germany has, moreover, no ally, while the lands of France's allies—Poland and the Little Entente—enclose wide stretches of Germany's eastern and southern borders. Military power is so exclusively on the one side, that of France and Belgium, that the only danger for the peace of the world as a result of military supremacy exists on that side as against Germany. One sees in Germany the result of this military supremacy in perpetual menaces and new occupations. In order to free her neighbour from the last pretext for anxiety, Germany has declared her willingness to agree to conduct no new war for decades if her former opponents and present creditors will for their part also agree to refrain from the use of force. This offer was made by the present German Chancellor formally in December, 1922.

(5) Hampered World Prosperity.

As to point 5:—Finally, every German is convinced that ***the return of the world to peaceful labour and prosperity*** is being hindered by the policy of his western neighbour. It means a tremendous waste of wealth when France and Belgium employ gigantic sums to maintain armies and commissions through which Germany's productivity is hindered and reduced. "The employment of wealth for the destruction of wealth"—that is precisely the curse of war from which humanity finally, four and a half years after the laying down of arms, must free itself! The table below gives a comparison of the costs of occupation with the former German

military expenditures and the payments after the Franco-German war of 1870-71:—


THE COSTS OF OCCUPATION
Figures for comparison
The costs of occupation borne by Germany 1918-32
4,5 milliard gold marks
Germany's total military expenditures 1870-73
2,8 milliard gold marks
War indemnity paid by France in 1871
4 milliard gold marks
The costs of occupation borne by France 1921-23
276 million gold marks

A comparison of the salaries of troops of the occupation with salaries of German officials is given below (the figures are those for December, 1922):—

English President-General of the armies of occupation	11,210,000 marks
English private soldier of the armies of occupation	5,020,000 „
German cabinet minister	4,270,000 „
Lesser German government official . .	360,000 „

Pioneers of World Reconciliation.

The fact that France uses for her occupation coloured troops (negroes, Senegalese, &c.), who terrorize German women and girls, is further creating intense bitterness among the highly cultivated, liberty-loving population of the Rhineland, and this further hinders and delays the reconciliation of the formerly hostile peoples to each other. As a result of the policies of their western neighbours, the ability of the German people to buy foreign goods has been greatly reduced. German imports in 1913 amounted to 72,8 million tons; in 1922 to only 45,9 million tons. This means a big loss of business for all nations that are interested in world-trade; for the

Germans it means that they must cut down their standard of living materially.

Individual Frenchmen who perceive things clearly and express their opinions honestly know that Germany has the sincere desire to reach a peaceful solution of all conflicts at the earliest possible moment. And, equally as well, the Germans know that there are many people in France and Belgium who have only the one aim of living in peace and winning back to their former condition of happiness and prosperity, but who would not achieve this aim at the cost of their neighbours. Hence, if nonpartisan nations or statesmen will endeavour to adjust the European conflicts, it will not be a hopeless task or one that will find no support from the two parties directly concerned. On the contrary, it will strengthen the hands of those elements already present who are determined to bring about a speedy and equitable adjustment of all differences.

III.—ECONOMIC ASPECTS.

(1) European Phantasies.

Many Europeans regard the United States of America as the country which is "morally obligated" to untangle the European situation by the use of money and other means. This view is presumptuous and stupid. America and the other countries not directly involved in the European conflicts have plenty of tasks of their own to handle and have no reason to worry their heads about the situation of the people in Middle Europe. It is, moreover, precisely this feeling that is responsible for the fact that these countries have assumed either an indifferent or a waiting attitude. No change in the situation will come for them until it shall have been shown, first, that their former policy of non-interference may have dangerous consequences for international interests, and, second, that their participation in the adjusting of the conflicts of Middle Europe (the reparations question) promises to be of advantage for them.

In considering the first of these situations one must keep in mind the economic resources of Middle Europe. Europe contains two large, industrially important districts. One is a broad zone along both banks of the Rhine, the other lies on the borders of Germany, Poland, Czecho-Slovakia and Roumania.

(2) Coal and Iron on the Rhine.

Before the war the former district was divided among various States. A part of the iron-ore deposits of Lorraine belonged to France, the other (and greater) part to Germany. Of the coal deposits of this district, the northwestern mines were situated on French and Belgian territory, the southern (Saar), central (Aix-la-

Chapelle) and above all the eastern (Ruhr) on German territory. Through the treaty of peace the whole iron-ore district of Lorraine fell to France, and the Saar district coalmines also for fifteen years, or until the holding of a plebiscite. The coal district of Aix-la-Chapelle was occupied by Belgium. Of all her economic resources in the west, Germany retained only the coal and industrial district of the Ruhr. This territory occupies a unique place in the world among all such districts—nowhere else, not even in England and America, are coalmines and stupendous industrial plants so thickly crowded together as there. The Ruhr district stands technically on the highest plane of development. It has the densest population of any district on the whole globe. It was chiefly the prosperity of this district that made it possible for Germany to make the payments and deliveries of goods which she has thus far made. And it was this district which the French and Belgian troops invaded on January 11, 1923, as punishment for unimportant deficits in German deliveries. And although the inhabitants of this district, acting on their own volition, have done everything in their power to make it difficult for the invaders to take away coal, coke and iron manufactures, the occupying Powers have nevertheless succeeded in virtually stopping altogether all deliveries from the district to the rest of Germany. If France and Belgium should succeed in employing the valuable products of this territory for their own advantage, Germany would lose the last remnants of her sources of economic strength in the western portion of the country.

(3) The Silesian-Polish Resources.

In an almost equally radical manner the holdings of the Middle European nations have altered in the second largest petroleum, coal and industrial territory—that in the southeastern part of Middle Europe. Before the war Roumania possessed there the rich oil-stations of the Carpathians and Austria the oilfields of Galicia. Of the Polish Upper Silesian coalfields, the smaller, northwestern part, or 33 per cent, belonged to Germany; the larger, southeastern part, or 52 per cent, to Russia (Poland). In the southeast, 15 per cent of the coalfields belonged to Austria. The German holdings, however, incomparably better developed than the Russo-Austrian district, so that Germany mined much more coal from her mines than Russia and Austria got together from their territory, although that was twice as large as the German holdings. The fact that a Polish minority lived in the German portion of the Silesian-Polish coal-basin (Upper Silesia) caused the Supreme Council to decree in the Versailles Treaty that a plebiscite should be held to determine whether the district should remain German or be given to the Polish State. The plebiscite was held on March 20, 1921, and gave 62 per cent of the votes for Germany and 38 per cent for Poland. Despite this, the greater part of the Upper Silesian

district, containing 77⅞ per cent of the entire coal production, was handed over to Poland by decision of the League of Nations at Geneva. Along with this territory the biggest part of the valuable industrial plants erected by the Germans also went to Poland. The coalmines on formerly Austrian territory went to Czecho-Slovakia.

In this manner more than 90 per cent of the two great Middle European mining and industrial districts has been taken from the Germans and handed over to the French, the Belgians and the Poles.

(4) Economic Imperialism.

This change in ownership would doubtless not concern the non-participating Powers very much if the new owners possessed the same abilities and possibilities of exploiting these treasures as the former owners possessed. But this is not the case. For several years to come, at least, these new owners cannot even remotely approach the production attained by the former owners in the Lorraine iron district, the majority of whose inhabitants are Germans; in the coalmines of the purely German Saar Basin; in the likewise purely German coal and industrial district of the Lower Rhine and the Ruhr, or with the mining and industrial plants built up and conducted by Germans in Upper Silesia. And a decreased production signifies for all Continental Europe the greatest danger, particularly in view of the losses due to the war. Hunger and Bolshevism threaten if events continue their present course unhindered. The idea that the other manufacturing and trading nations of the world are the gainers if other important economic countries be crippled is stupid. Those districts of Middle Europe that produce raw materials have in part only local importance; for the other part, they are the given and indispensable basis for the economic development of the rich territories of Eastern Europe and in addition for great sections of Western and Central Asia. It will probably be some years before the new masters of the Middle European coal and industrial districts assume the economic offensive. But when that time comes, it will bring a bitter competitive struggle between them and those other economic nations of the world that desire to produce and carry on trade on the basis of open competition. In Middle Europe there is in process of formation a great economic trust under the leadership of France. In proof of this assertion also one can adduce the secret report of the French Deputy Dariac of May 28, 1922, which has already been cited. There one reads: "At the present time we can destroy or exploit Germany, since we are in control there." And in another place: "As soon as we shall have secured a footing on the right bank of the Rhine" (this has since occurred) "and shall have at our disposal more than

The European-Asiatic Trust.

45 million tons of iron-ore a year, we shall be in a position to play a decisive role in the German iron industry, in connection with which we should demand, as recompense, a control of the country's production." Belgium, quite apart from the question of her close military alliance with France, is the vassal of the military and economic imperialists at Paris. Poland is economically, militarily and politically closely bound to France, and the Little Entente—Czecho-Slovakia, Roumania and Jugoslavia— also stands in close relations to the leading Paris statesmen. ***A gigantic trust covering coal, oil and iron***—that is to say, the very foundation of industry and world-trade—is being developed ***from the Pyrenees to the Dnieper and the shores of the Black Sea.*** No one can be in any doubt as to who will then have the best chances to develop the incalculably rich resources of Russia, Western Asia and Central Asia—the great economic powers, especially of the Anglo-Saxon race, who are working in peaceful competition, or the Franco-Belgian-West Slavic trust in Middle Europe. After the developments of the last years and especially of the last months, only he who cannot see beyond the present and the immediate future can be of the opinion that the result of the Middle European conflicts is of no importance for the peace and the future of the world.

(5) Is Europe a Business?

Closely allied with the reflections discussed here is the question as to whether an active participation of the great financial and economic powers of the world in the untangling of the European conflicts promises any practical results. No businessman, be he ever so broad-minded and capable of realizing projects for the distant future, will waste time and money on an undertaking from which he can expect no positive gain. ***In order to understand the situation fully, it must be clearly borne in mind that the reparations problem is, for the outside world, the façade back of which the great economic adjustments of the world are being carried on.*** To the financial and economic leaders of the world there is presented such an opportunity as history has seldom recorded. By a timely grasping of the reparations question they can attain two great ends at one and the same time: They can prevent a dangerous trust from being built up in Europe and Asia, and at the same time gain influence in rich and extraordinarily productive raw-material and industrial districts. Every businessman knows that it is frequently necessary to make new investments in order successfully to collect outstanding debts and to rescue already invested capital. The Powers interested in the reparations do not include merely those States that employ methods of war against their debtor, but also such Powers as England and Italy. America is also preparing the claims which it will present to

The interests of the Stronger Nations.

Germany. But England and America are not merely creditors of Germany, but also of France and Belgium. It would not be in accord with their interests if they should quietly stand by while their debtors are further ruined and eventually rendered utterly bankrupt. France and Belgium, which owe the Anglo-Saxon Powers several billion dollars, are using up, in order to damage their creditors in important world-markets, the means which they ought to employ for the payment of their foreign debts. Judging by events so far, it is not to be expected that they would pay these debts if they should succeed in trustifying Middle and Eastern Europe as well as great parts of Asia. And if they do not succeed in these efforts, they will be utterly unable to pay and will plunge a great part of the globe into misery and revolution. The only way in which the rich territories of Middle Europe can be again brought into the service of economic common-sense is by the great economic power of the world participating in the most extensive manner in further developing these territories. Every practical man knows that a country with wrecked finances can pay only with the proceeds of its labour. The industrial and mining plants of the territories referred to offer valuable and adequate security for any capital lent by other countries. If the most valuable of these securities, the coal and industrial district on the Lower Rhine and Ruhr, be surrendered to the impatient creditors of Continental Europe, Germany will lose the remainder of her ability to pay and also her credit not only for the present, but for the future as well. If a businessman be asked whether he will assist a man who has been recommended to him, he will require not merely an accurate list of that man's assets, but—and this first of all—he will want to know whether the man possesses such a degree of capability, energy and willingness to work that the chances are in favour of his coming to the top again and paying back with interest the loans made to him. The States that, not realising the actual truth of the situation, regard themselves as "disinterested" in the European conflicts, are precisely in the situation of this businessman.

Their participation, if it came in the right manner and at the right time, would not merely do away with a great economic danger for the whole world, but would also bring them an honest and profitable business.

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